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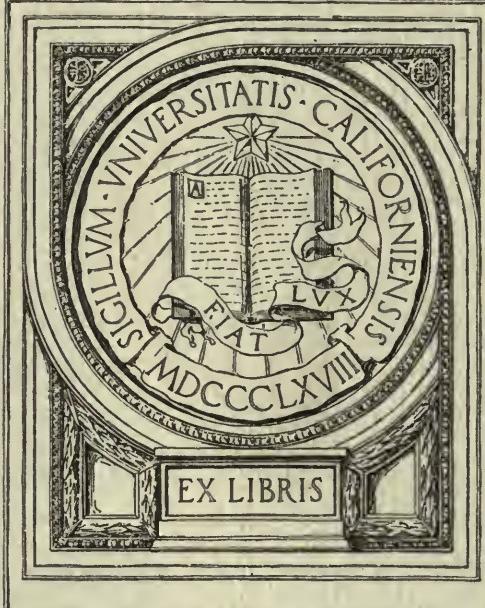
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The ABOLISHMENT of
GENERAL AVERAGE

By M. C. HARRISON

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THE ABOLISHMENT OF GENERAL AVERAGE

By M. C. HARRISON
SAN FRANCISCO

UNIV. OF
CALIFORNIA

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Copenhagen 1916 A. Paulli

SAN FRANCISCO, CAL., October, 1915.

In view of the completion of the Panama Canal—the masterpiece of human constructive help to the Maritime Commerce of the world, I deem it an auspicious moment to propose the abolition of general average.

Commerce by sea has been fettered by this growing land barnacle for nearly three thousand years. It was useful prior to the introduction of marine underwriting, but has served its time, and should not be allowed to remain as a drag upon the interests of mankind.

If my suggestions meet with favor, I shall be partly repaid by the thought that the saving thus effected is constructive in its nature, and that it may aid in the upbuilding of our maritime commerce, to which my whole life has been devoted.

20/12/01 M. C. HARRISON

TO WHOM
ADDRESS

In presenting the following argument and plan for the abolition of general average I do so with a full appreciation of the justice rendered to all parties in maritime ventures from the time the custom began with the Phoenicians, up to the present, but I have also come to believe that the requirements of modern commerce are such as to demand the abolition of the system completely.

There are three chief reasons for doing so:

First—The majority of the parties interested in maritime ventures at the present day do not understand the system of general average, and it is so intricate and cumbersome that, in the nature of things, it is not possible for them to gain, in the ordinary channels of commerce, even a fair understanding of its workings.

Second—The amount of work required by various interested parties is getting too great.

Third—The expense is too enormous.

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FIRST—LACK OF UNDERSTANDING OF SUBJECT

The majority of shipowners and cargo owners who have some understanding of the subject merely know that where a sacrifice is made for the interests of all concerned, that a general average undertakes to equalize the burden so that the property of no one party shall, in the end, suffer more than the property of another party. The broad, general basis of general average is the same throughout the world, but the details of adjustments are quite different in the various countries that have the majority of interests at sea. It is not the same in all of the main particulars in any two countries which have large interests. It has been the dream of people interested in maritime commerce, including marine underwriters, for many decades, of having the laws of the principal nations of the world on the subject of general average, made to agree in all the main particulars, and although many conferences between interested parties have been held, it never has been found possible to so arrange it.

Hence, a ship bound from England to the United States, having necessity for general average, is bound to have the adjustment drawn according to the laws of the United States, but even in such a case it is modified by the contract of affreightment, which may provide for some special rule which must govern. When the same ship starts with a return cargo from the United States to Great Britain and a general average becomes necessary, the law of Great Britain must rule, but even in this case the B/L issued in America may contain special clauses which will modify the subject and such must control, provided always, of course, they are not against public policy.

One can then gather a fair idea of the amount of confusion that might exist in a case where a ship starts from one country and is intending to pass through two or three ports of different nationalities with cargo for each, should a general average become necessary before arrival at the first port. It often requires several different adjustments. This is also the case when a ship starting from a port in one country to a port in another country meets with disaster and returns to the original port, and there ends the voyage with regard to certain parts of the cargo, but sends forward the remaining part; the adjustment for the part disposed of at the original port will be adjusted according to the laws of that port while the

part forwarded will be adjusted according to the laws of the port of destination. Numerous instances can be mentioned of the difficulties that are encountered in properly, legally, and equitably adjusting general averages under all circumstances.

Few countries have statutes on the subject; it is mostly governed by precedent, custom, and sometimes rules made by underwriters. It can be easily seen that a general average adjuster must be a man of large experience and learning as well as judgment; and even then adjustments are very often disputed because underwriters, themselves men versed in the subject, cannot always agree with the adjuster, nor in fact, with each other, and litigation often results; and there being no special tribunal fixed in the chief countries of the world to pass upon this particular subject, controversies come before courts who have even less learning than the adjusters and the underwriters, on the subject, and as a result curious and unusual decisions are added to the long list of confusing precedents, and it is not to be wondered that less than one in a hundred of the ordinary shippers of cargo can claim to know anything at all on the subject of general average, a law by which they must abide, however; and it is perhaps safe to say that not one underwriter in ten could form a correct conclusion upon the majority of the adjustments put before him for settlement. The result is that in most cases collections are made as requested, because neither shippers nor underwriters understand it fully enough nor have large enough individual interest to contest.

The system is further complicated by the constant addition of new elements of expense, which in the years gone by, were never entered in general average, so that the man who yesterday may have been well versed in the law, may be today behind the times.

I know of no commercial transaction so little understood or so complicated. The abolishment of the system will save a great waste of time, especially to marine underwriters upon whom the loss falls eventually, as there is no branch of their business which requires so much study.

SECOND—AMOUNT OF WORK

The average successful ship nowadays is growing larger and, therefore, increases the size of cargoes. The exchange of commodities between countries is getting greater all the while, as the demand increases for luxuries and necessities. The number of shippers in all directions, is getting greater, which is constantly drawing into maritime commerce, people heretofore dealing only with inland commerce. Therefore, when a large vessel gets in a situation requiring sacrifice of either property or money for the preservation of the ship and the cargo, it means the instant requirement of an adjuster and a large force of clerical help to secure the necessary data upon which the adjustment later on will be based.

The first step is to notify each and every shipper of cargo, that a sacrifice or expenditure has been necessary in order to save the venture, and to request from the shipper certain data as to his cargo and the value thereof.

The second step is to draft and distribute to each owner of cargo an average bond which must be signed by the proper party: Following this, the owner of the cargo is either required to make a deposit on such an estimate as the adjuster may think will cover the assessment in the end, or he is required to furnish a satisfactory guarantor that his proportion will be paid promptly when demanded. Security to the satisfaction of the adjuster having been given, the next step is to receive the cargo and to ascertain its condition. The character of the damage whether by a sacrifice or by an accident, must be looked into in respect of every individual package on board the ship, and the part damaged by a sacrifice must be carefully noted and the amount of such damage agreed between the adjuster and the owner of the cargo, in order that the owner may be credited with such allowance as will equal the value sacrificed.

This requires the service of a great many experts in the multitudinous lines of goods that are on board the ship. After the agreement has been made in each individual case, the next step is to ascertain the value of cargo which is not entitled to any allowance, as well as the cargo which is entitled to an allowance. Each individual package must be valued in order that a basis may be had for charging the proportion payable by each party whose property has been saved. The damages to the ship must be agreed upon or repaired and the cost ascertained and the valuation of the ship in

the condition in which it was saved must be agreed; claims made by cargo owners for the sacrifice to each of the various packages of cargo must be figured, extended, verified and approved. In the end, the adjuster has enough work on hand in detail, as well as in the decision of close points as to whether certain items are properly chargeable to general average or not—on the ordinary eight or ten thousand-ton ship—to keep the case in process in his office for a length of time usually two to five years. After the adjuster has finished his decision and voluminous calculations, the printer begins the tabulation and arrangement for publication—thereafter the settlement with each of the thousands of consignees finishes the shipowner's work and all that remains is for each assured to present his claims to his underwriter and after each underwriter goes through the adjustment, payment is made and the case is finished.

Any shipowner or cargo owner who has been obliged to furnish all information required to adjust and settle a large loss of this nature, can testify as to the enormous amount of time and labor necessary and is sure to welcome any system which will make that labor unnecessary.

THIRD—EXPENSES

ITEMS OF EXPENSE, MERELY FOR THE PURPOSE OF DETERMINING THE PART CHARGEABLE TO THE GENERAL AVERAGE—THAT IS, TO ALL INTERESTS

First—Surveyors to determine which part of the damage is a sacrifice and which is an accident.

Second—The cost of average bonds for which the adjuster makes a liberal charge.

Third—The cost of circulars to cargo owners, asking for values and for statement of damages to their cargo.

Fourth—The cost of telegrams to expedite the adjustment including those to owners of various lots of cargo, on the subject of signing bonds, making deposits, giving guarantees, furnishing values, furnishing claims for damages done which should be paid through general average, and a very considerable amount of postage in communications backward and forward between consignees and adjusters, the number of which run into the thousands on a modern ship. (The shipowner's and adjusters' expenses of this kind are repaid in general average but the cargo owners usually do not get theirs back).

Fifth—Cost of advancing funds. The shipowner makes a charge, to which he is entitled by law of general average, of $2\frac{1}{2}$ per cent when he has his freight money in hand from which to make advances, and 5 per cent on the money advanced when he has no freight money in hand from which to make the advances.

Sixth—Interest, which the shipowner gets, at the local rate in the state in which the adjustment is settled (usually 6 to 7 per cent) on all the funds which he has so advanced. Likewise every cargo owner who is entitled to an allowance in general average gets the local rate of interest on all the allowance, from the time the cargo is delivered or would have been delivered until the adjustment is closed and the balance paid to him.

If a cargo owner has made a deposit to cover his anticipated contribution but has no allowance coming to him, his money is put in the bank and he is generally allowed about 2 per cent for the use of his money during the time he is waiting to know the exact amount that he will have to pay. In other words, when his exact contribution is known, he pays that contribution, which includes the cost to him of the legal rate of interest (usually 6 or 7 per cent) which

every one collects who is entitled to receive a balance, but on the deposit which he has made, covering the same time, he only receives about 2 per cent.

Seventh—The surveyors', adjusters' and their employes' traveling expenses while pursuing the work in connection with general average.

Eighth—The adjusters' fee, the most formidable expense in connection with an adjustment.

Ninth—The cost of printing the adjustment itself, usually being gotten up in book form. On the west coast of the United States the cost is about 70 cents per page.

Tenth—The shipowner's commission for collecting general average which, in San Francisco, is 5 per cent on the first \$10,000, 2½ per cent on the next \$20,000 and 1 per cent on the excess.

Many cases could be cited, but it is enough to say that the cost of adjusting generally will run from 15 to 25 per cent of the amount of the original loss.

The work done by owners of cargo, partly on account of inexperience in connection with general average allowances in cargo and securing reduction^{valuation} of the same, all taken together is nearly as great as that of the adjuster, but they get no compensation—if the system is not abolished, perhaps in time they will get an allowance.

By abolishing the system this expense will be saved and in its place we may substitute a system which will make it unnecessary to study the subject.

I propose that all bills of lading be endorsed to the effect that there shall be no claims by either party, for general average; that they each agree by the contract between the shipowner and the cargo owner, that there shall be no general average, and that all other references in the bills of lading regarding general average shall be eliminated or be null and void; and as a start in this direction the following endorsement is suggested as one which would probably cover most cases:

“ENDORSEMENT TO THE BILL OF LADING

“Notwithstanding the terms and conditions of this bill of lading, it is hereby agreed between contracting parties (the shipowner on the one hand and the cargo owner on the other) that the owners of each and every interest hereby waive all claim for allowance or contribution or expenses of any nature whatsoever by or through general average or based upon the principles of general average or any adjustment of such nature; the essence and chief object of this agreement being to abolish the necessity and operation of general average or the principles thereof, and to substitute therefor, through the arranging of an all-interest marine insurance policy covering the entire venture, a simple and expeditious ascertainment of the amount of loss or damage to any interest insured, and the prompt payment by the assurers, each his own proportion, as signed on the policy, regardless of the interest to which the loss or damage has happened.

“A part of the consideration for this agreement is that the owner and/or agent of the ship is hereby made the agent of the owner of the cargo for the express purpose of placing marine insurance on the cargo to be shipped under this bill of lading to which this endorsement is attached, the said insurance to be in terms and on conditions as may be agreed by the shipowner or his agent, the same being placed for account of the owner of the cargo, the cost of which insurance is included in the freight charge under this bill of lading.

“It is further agreed that should any salvage services or any special services chargeable direct to this cargo, be rendered for account of cargo hereunder, that the shipowner is also hereby appointed the agent for the express purpose of agreeing to the value of said services and settling the same subject only to the direction of the underwriters covering this cargo, it being understood that claim for such salvage services, if any, shall be presented directly to the underwriters for their approval and settlement.

“Should the owner of cargo have placed any insurance separately,

that is, independent of the above insurance, then the shipowner shall be entitled to the benefit of any such insurance on the goods and to any payments made by or on behalf of the insurers thereof, whether in the guise of advances, loans or otherwise.

"The value of cargo *must be declared* at time of shipment, and same becomes the basis for any settlement in case of loss."

THE PLAN

The plan for equalizing the loss is as follows: The shipowner is to place the order for insurance on his vessel, freights, disbursements and for every other interest of his own, in connection with the vessel or the freights, and also on the cargo, advances thereon, duties, profits, commissions or any other interest in connection with the cargo, all under a single policy, or series of policies; all being in the same general terms. *Each underwriter must accept a specified percentage of each interest, hull, freight, disbursements, advances, cargoes, treasure, duties, commissions, profits, advances on cargo and every other interest on board the vessel,* that is subject to general average, or could possibly claim a general average contribution, every interest on board must be insured. For instance, an underwriter has a capacity to carry \$20,000 on a risk.

Example:

Hull, equipment, etc., valued at	\$ 500,000.00
Freight money, etc., valued at (open policy)	100,000.00
Disbursements, etc., valued at (open policy or valued)	50,000.00
Treasure (not in the mails) valued at (open policy)	500,000.00
Cargo, valued at (open policy)	700,000.00
Advances on cargo, etc., valued at (open policy)	50,000.00
Duties, valued at (open policy)	100,000.00
<hr/>	
	\$2,000,000.00

In such a case, the underwriter who can carry \$20,000 subscribes *1 per cent on each particular interest.* The policy on the hull and disbursements will naturally be an annual policy. The policy on freight, cargo and other like interests, will be open and subject to declaration at the moment the voyage begins, and the premium will be fixed according to cargo, voyage, etc. If cargo is taken on at an intermediate port, the policy will provide the premium that is to be charged from intermediate port to whatever other port the insurance will run, and the underwriter's interest will likewise be 1 per cent of the new freights, cargoes, etc. And as each piece of cargo is discharged the underwriter's interest is reduced proportionately, and as each new piece of cargo is taken on board each underwriter's interest attaches in proportion; the arrangement being that this underwriter's interest always is 1 per cent of the value of the hull, 1 per cent of the freight, 1 per cent of the cargo, 1 per cent of the advances, disbursements, duties, treasure, etc.; it there-

fore matters not to him what part of the interest shall have been sacrificed in order to save the remainder. No sort of an accounting is necessary, except to *ascertain the gross amount of the loss suffered by all of the different interests together and make a debit note for 1 per cent of the total of that loss*, which is to be promptly paid by the underwriter without the necessity of any other adjustment. It is immaterial to him whether a loss shall have occurred by fire, or by water to extinguish the fire. It is immaterial to him whether the ship's injuries shall have occurred by the stranding or by the subsequent efforts to get the ship off the shore. It will be immaterial to him as to whether a certain item of expense has been incurred to avoid a possible loss to all interests or to any one interest, or whether it was incurred to repair a loss by pure accident. The shipowner goes to various underwriters, until he has 100 per cent of the maximum risk on all interests fully subscribed and then the arrangement begins.

A form of policy is herewith submitted. It is subject to modification as occasion may arise.

ALL INTEREST POLICY

SECTION 1.—*In respect to the vessel, etc.*

.....For account of.....
Loss, if any, payable to.....or order
Do Make Insurance and Cause.....
To be insured, Lost or not Lost, to the amount of.....Dollars
At and from the.....Day of.....19.....
Until the.....Day of.....19.....

Standard Time,
and at pro rata premium, until the completion of the voyage, if the
vessel be on one with cargo at the last date, and until discharge of
the last item of cargo therefrom.

Upon the body, tackle, apparel, stores, ordnance, munitions, ar-
tillery, boats, and other furniture, boilers and machinery of the
Steamship called the.....
S. S. or by whatsoever name or names the said Vessel is or shall be
named or called; beginning the adventure upon the said Vessel, etc.,
as above, and so shall continue and endure during the period afore-
said, as employment may offer, in port and at sea, in docks and
graving docks, and on ways, gridirons and pontoons, at all times,
in all places, and on all occasions, services and trades whatsoever
and wheresoever, under steam or sail; with leave to sail with or
without pilots, to tow and be towed, and to assist vessels and/or
craft in all situations and to any extent, and to go on trial trips.
With liberty to discharge, exchange and take on board goods, specie,
passengers and stores, wherever the Vessel may call at or proceed
to, and with liberty to carry goods, live cattle, etc., on deck or other-
wise, but warranted free of any claim in respect of deck cargo. In-
cluding all risks of docking, undocking, changing docks, or moving
in harbor and going on or off gridiron or graving docks as often as
may be done during the currency of this Policy.

The said Ship, etc., for so much as concerns the Assured, by
agreement between the Assured and Assurers in this Policy, are and
shall be valued at as follows:—

Hull, tackle, apparel, furniture, etc.	\$.....
Boilers, machinery, etc., and every- thing connected therewith.	\$.....
	\$.....

Donkey boilers, winches, cranes, windlasses, steering gear, and
electric light apparatus, shall be deemed to be part of the hull, and
not part of the machinery. Refrigerating machinery and insulation
appertaining thereto not covered unless expressly included in this
Policy, or unless the property of the owners of the Vessel.

Touching the Adventures and Perils which we, the said Assurers,
are contented to bear and take upon us, they are of the Seas, Men-
of-War, Fire, Enemies, Pirates, Rovers, Thieves, Jettisons, Letters
of Mart and Counter-Mart, Surprisals, Taking at Sea, Arrests, Re-

straints and Detainments of all Kings, Princes, and Peoples, of what Nation, Condition or Quality soever, Barratry of the Master and Mariners, Explosions, Riots, or other causes of whatsoever nature arising either on shore or otherwise, causing Loss of or Injury to the Property hereby insured, and of all other Perils, Losses, and Misfortunes that have or shall come to the Hurt, Detriment, or Damage of the said Ship, etc., or any part thereof. And in case of any Loss or Misfortune, it shall be lawful for the Assured, their Factors, Servants, and Assigns, to sue, labor, and travel for, in, and about the Defense, Safeguard, and Recovery of the said Ship, etc., or any part thereof, without prejudice to this Insurance to the Charges whereof the Assurers will contribute according to the Rate and Quantity of the sum herein assured. And it is expressly declared and agreed that no act of the Insurer or Insured in recovering, saving or preserving the property insured shall be considered as a waiver or acceptance of abandonment.

This Insurance also specially to cover (subject to the free of average warranty) loss of, or damage to hull or machinery, through the negligence of Master, Charterers, Mariners, Engineers, or Pilots, or through explosions, bursting of boilers, breakage of shafts, or through any latent defect in the machinery or hull, provided such loss or damage has not resulted from want of due diligence by the Owners of the Ship, or any of them, or by the Manager, Masters, Mates, Engineers, Pilots, or Crew not to be considered as part owners within the meaning of this clause should they hold shares in the steamer.

And it is further agreed, that if the Ship hereby insured shall come into collision with any other Ship or Vessel, and the Assured or Charterers shall in consequence thereof become liable to pay and shall pay by way of damages to any other person or persons any sum or sums not exceeding in respect of any one such collision the value of the Ship hereby Insured, we, the Assurers, will pay the Assured or Charterers such proportion of such sum or sums so paid as our subscriptions hereto bear to the value of the Ship hereby Insured. And in cases where the liability of the Ship has been contested with the consent in writing of a majority of the Underwriters on the hull and/or machinery (in amount) we will also pay a like proportion of the costs thereby incurred or paid; but when both Vessels are to blame, then, unless the liability of the Owners or Charterers of one or both of such Vessels becomes limited by law, claims under the Collision Clause shall be settled on the principle of Cross-Liabilities as if the Owners or Charterers of each Vessel had been compelled to pay to the Owners or Charterers of the other of such Vessels such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured or Charterers in consequence of such collision; and it is further agreed that the principles involved in this clause shall apply to the case where both Vessels are the property, in part or in whole, of the same Owners or Charterers, all questions of responsibility and amount of liability as between the two Ships being left to the decision of a single Arbitrator, if

the parties can agree upon a single Arbitrator, or failing such agreement, to the decision of Arbitrators, one to be appointed by the Managing Owners or Charterers of both Vessels, and one to be appointed by the majority (in amount) of Underwriters interested in each Vessel; the two Arbitrators chosen to choose a third Arbitrator before entering upon the reference, and the decision of such single, or of any two of such three Arbitrators, appointed as above to be final and binding. Provided always that this clause shall in no case extend to any sum which the Assured or Charterers may become liable to pay, or shall pay for removal of obstructions under statutory powers, for injury to harbors, wharves, piers, stages, and similar structures, consequent on such collisions, or in respect of the cargo or engagements of the Insured Vessel, or for loss of life, or personal injury. And provided also that in the event of any claim being made by Charterers under this clause they shall not be entitled to recover in respect of any liability to which the Owners of the Ship, if interested in this Policy at the time of the collision in question, would not be subject, nor to a greater extent than the Ship-owners would be entitled in such event to recover.

And it is further agreed that in the event of salvage, towage, or other assistance being rendered to the Vessel hereby insured by any Vessel belonging in part or in whole to the same Owners or Charterers, the value of such services (without regard to the common ownership of the Vessels) shall be ascertained by arbitration in the manner above provided for under the Collision Clause, and the amount so awarded so far as applicable to the interest hereby insured shall constitute a charge under this Policy.

Salvage charges payable in such proportion as this insurance bears to the value herein.

Average payable on each valuation separately or on the whole, without deduction of thirds, new for old.

In no case shall Underwriters be liable for unrepaired damage in addition to a subsequent total loss sustained during the term covered by this Policy.

In ascertaining whether the Vessel is a constructive total loss the insured value shall be taken as the repaired value, and nothing in respect of the damaged or break-up value of the vessel or wreck shall be taken into account.

Notwithstanding anything herein contained to the contrary this Policy is warranted free from particular average under 3 per cent, or unless amounting to....., but nevertheless when the Vessel shall have been stranded, sunk, on fire, or in collision with any other Ship or Vessel, Underwriters shall pay the damage occasioned thereby, and the expense of sighting the bottom after stranding shall be paid, if reasonably incurred, even if no damage be found.

The warranty and conditions as to average under 3 per cent to be applicable to each voyage as if separately insured, and a voyage shall be deemed to commence at one of the following periods to be selected by the Assured when making up the claim, viz.: at any time at which the Vessel (1) begins to load cargo or (2) sails in ballast to a loading port. Such voyage shall be deemed to continue

during the ensuing period until either she has made one outward and one homeward passage (including an intermediate ballast passage, if made) or has carried and discharged two cargoes, whichever may first happen, and further, in either case, until she begins to load a subsequent cargo or sails in ballast for a loading port. When the Vessel sails in ballast to effect damage repair such sailing shall not be deemed to be a sailing for a loading port although she loads at the repairing port. In calculating the 3 per cent above referred to, particular average occurring outside the period covered by this Policy may be added to particular average occurring within such period provided it occur upon the same voyage (as above defined), but only that portion of the claim arising within such period shall be recoverable hereon. The commencement of a voyage shall not be so fixed as to overlap another voyage on which a claim is made on this or the preceding Policy.

Should the vessel at the expiration of this policy have commenced a voyage with cargo on board or be in distress or at a port of refuge or of call, she shall be held covered at a pro rata daily premium to her port of destination and until discharge of the last item of cargo therefrom.

Should the Vessel be sold or transferred to other ownership, then, unless the Underwriters agree in writing to such sale or transfer, this Policy shall thereupon become cancelled from date of sale or transfer, unless the Vessel has cargo on board or is at sea in ballast, in either of which cases such cancellation shall be suspended until final discharge if with cargo, or at port of destination if in ballast. A pro rata daily return of premium shall be made.

Warranted nevertheless free of capture, seizure, and detention, and the consequences thereof, or any attempt thereat, piracy excepted, and also from all consequences of hostilities, or warlike operations, whether before or after declaration of war.

To return $\left\{ \begin{array}{l} \text{.....per cent for each uncommenced month} \\ \text{if it be mutually agreed to cancel this} \\ \text{Policy.} \\ \text{.....per cent for each consecutive.....} \\ \text{days the vessel may be laid up in port:} \end{array} \right\}$ and arrival

A period in port falling between two insurances to be allowed pro rata on each, underwriters on each insurance agreeing to pay their pro rata proportion of the Return due.

In the event of accident whereby loss or damage may result in a claim under this Policy, notice shall be given to the Underwriters, prior to survey, so that they may appoint their own surveyor if they do so desire; and whenever the extent of the damage is ascertainable the majority (in amount) of the Underwriters may take or may require the Assured to take tenders for the repair of such damage. In cases where a tender is accepted by or with the approval of Underwriters, the Underwriters will make an allowance at the rate of 30 per cent per annum on the insured value for the time actually lost in waiting for tenders. In the event of the Assured failing to comply with the conditions of this clause 15 per cent shall be deducted from the amount of the ascertained claim.

Held covered in case of any breach of warranty as to cargo, trade, locality or date of sailing, provided notice be given and any additional premium required be agreed immediately after receipt of advices of breach or proposed breach by Owners.

It is agreed that no interest in or about the vessel or her equipment, freights, profits, disbursements, passage money, or any other thing in connection therewith shall be insured except with these Assurers and in the same identical proportion.

SECTION 2.—In respect to the cargo, advances, freights, etc.

WHEREAS, It has been proposed to the.....
.....by.....
as well in his or their own name as for and in the name and names of all and every other person or persons to whom the subject matter of this Policy does, may or shall appertain in part or in all, to make with the said company the insurance hereinafter mentioned and described.

NOW THIS POLICY WITNESSETH, That in consideration of the said person or persons effecting this Policy, promising to pay to the said Company a Premium on each and every item of cargo to be transported and the advances and/or freights thereon, at and after the rate agreed for such insurance, the said Company take upon themselves the burden of such insurance to the amount of such values as may be agreed herein and declared before attachment of risks and promise and agree with the Insured, their Executors, Administrators and Assigns in all respects truly to perform and fulfill the Contract contained in this policy, AND it is hereby agreed and declared that the said Insurance shall be and is an Insurance (lost or not lost) at and from the time of delivery into the custody of the carrier at the usual places of acceptance and until redelivered by the carrier to consignee or his agent at the usual places of delivery, AND it is also agreed and declared that the subject matter of this Policy as between the Insured and the said Company so far as concerns this Policy shall be and is as follows upon each and all such cargoes, advances and freights under and/or on deck as customary, laden in the Ship or Vessel called.....
whereof..... is at present Master or whoever shall go for Master in the said Ship or Vessel.

AND these Assurers promise and agree that the Insurance aforesaid shall commence upon the said Freight Goods, Merchandise, etc., from the time when the Goods or Merchandise shall be laden on board the said Ship or Vessel, Craft or Boat, as above, and until the said Goods and Merchandise be discharged and safely landed at, as above AND that it shall be lawful for the said Ship or Vessel in the Voyage so insured as aforesaid to proceed and sail to and touch and stay at any Ports or Places whatsoever without prejudice to this insurance, AND touching the Adventures and Perils which these Assurers are contented to bear, and do take upon themselves in the Voyage so insured as aforesaid, they are of the seas, Men-of-War, Fire, Enemies, Pirates, Rovers, Thieves, Jettisons, Letters of Mart

and Counter-Mart, Surprisals, Takings at Sea, Arrests, Restraints and Detainments of all Kings, Princes and People of what Nation, Condition or Quality soever, Barratry of the Master and Mariners and of all other Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the aforesaid subject matter of this insurance, or any part thereof, AND in case of any Loss or Misfortune, it shall be lawful to the Insured, their Factors, Servants and Assigns, to sue, labor and travel for, in and about the Defense, Safeguard and Recovery of the aforesaid subject matter of this insurance, or any part thereof, without prejudice to this Insurance, the charges whereof these Assurers will bear in proportion to the sum hereby insured; AND it is expressly declared and agreed that the acts of Insurer or Insured in Recovering, Saving or Preserving the Property insured shall not be considered a waiver or acceptance of abandonment; AND it is declared and agreed that Corn, Fish, Saltpetre, Fruit, Flour, Rice, Seeds, Hides, Skins and Molasses shall be and are warranted free from average, unless the Ship be stranded, sunk or burnt or unless caused by collision with any other Ship or Vessel, and that Sugar, Tobacco, Hemp and Flax shall be and are warranted free from average, under Five Pounds per centum, and that all other Goods and also Ship and Freight shall be and are warranted free from average under Three Pounds per centum, unless the Ship be stranded, sunk or burnt.

[The clauses in italic shall control other printed conditions inconsistent with the same.]

Warranted free of capture, seizure and detention and the consequences thereof or any attempt thereat, piracy excepted, and also from all consequences of hostilities or warlike operations, whether before or after declaration of war.

Warranted free of loss or damage caused by strikers, locked out workmen or persons taking part in labor disturbances or riots or civil commotions.

Salvage charges payable in such proportion as this insurance bears to the valuation herein.

Held covered, at a premium to be arranged, in case of deviation or change of voyage or of any omission or error in the description of interest, vessel or voyage.

Including risk of craft, raft and/or lighter to and from the vessel. Each craft, raft and/or lighter to be deemed a separate insurance. The assured are not to be prejudiced by any agreement exempting lightermen from liability.

Including all liberties as per contract of affreightment. The assured are not to be prejudiced by the presence of the negligence clause and/or latent defect clause in the bills of lading and/or charter-party. The seaworthiness of the vessel as between the assured and the assurers is hereby admitted.

Warranted free from particular average as per separate rate schedule herein unless the vessel or craft be stranded, sunk or burnt, but the assurers are to pay the insured value of any package

or packages which may be totally lost in loading, transshipment or discharge, also any loss of or damage to the interest insured which may reasonably be attributed to fire, collision or contact of the vessel and/or craft and/or conveyance with any external substance (ice included) other than water, or to discharge of cargo at port of distress, also to pay landing, warehousing, forwarding and special charges if incurred.

Grounding in the Panama Canal, Suez Canal, Manchester Ship Canal or its connections, in the River Mersey above Rock Ferry Slip, the Columbia River and/or Willamette Rivers and/or Yukon Rivers or tributaries and/or Yukon Flats or Fraser River, not to be deemed a strand, but underwriters to pay any damage or loss which may be proved to have directly resulted therefrom.

It is agreed that no other interest in or about the freights or cargo, increased values, profits, advances, duties, or any other thing in connection therewith shall be insured except with these assurers and in the same identical proportion.

Rates of premium attaching to the cargo to be paid to the Assurers hereof shall be for the separate voyages as per schedule hereto attached. The values of the separate items of cargo shall be subject to such agreement as may be made between the carrier and the owner or shipper of each item of cargo, but in no case is to be less than the invoice value nor in any case without first having the consent of the Assurers hereof, more than invoice plus 25 per cent. Such values shall be agreed upon before the commencement of the risks.

The risks shall commence as soon as the carrier has received into his custody at the usual dock, warehouse, quay, landing place or on lighters as is usual and customary in his business, and shall continue until the carrier has delivered each item of cargo to its consignee or his agent in the usual place of such delivery. The intent of this insurance being to protect such cargo during all the times that it is in the custody of the carrier, whether in warehouse, on dock, quay, landing place, lighter or the vessel. The character of risk assumed on each particular item of cargo is as may be agreed between the carrier and the owner or shipper, subject to the schedule herein under which such explanations of risks may be made, attached hereto.

It is the essence of this insurance that every item of cargo shipped on board the vessel shall pay a premium according to this agreement to these Assurers. Should there be any other insurance placed by the owner or shipper of the goods, such policies or claim thereunder as may accrue in the event of a loss claimable from such other underwriters, shall be promptly handed to or assigned to the carrier for account of its Assurers.

SECTION 3.

In addition to the interest in the foregoing sections one and two, for which provision is made, this policy is also to cover all addi-

tional interests such as profits, disbursements, passage money and all other interests at the risk of the vessel and/or her owners, under either a time or voyage risk, as may be agreed at the inception of this policy at rates and on conditions as per specifications herein.

AND also shall cover all additional interests such as increased values, profits, advances, duties and all other interests at the risk of the cargo and/or owners thereof as may be agreed at the inception of this policy at rates and on conditions as per specifications herein.

It is agreed that the contract of affreightment issued to owners or shippers of cargo shall contain the essentials of this agreement. It is further agreed that in case of any loss or damage to the ship, cargo, advances and/or freight covered hereunder, that the ship-owner or carrier will give immediate notice to these Assurers, whereupon if the damage be to the ship, a surveyor will at once be appointed by the Assurers to ascertain the damage and recommend the repairs, and such repairs shall be made entirely under the supervision of such surveyor. If the damage be to the cargo, prompt notice shall be given to these Assurers, whereupon they will appoint a surveyor or appraiser, whose duty it will be to ascertain and agree with owners, shippers or consignees as to the amount of damage, or to repair the damage, or failing in this, to make such prompt disposition of the damaged goods as will be for the best interests of all concerned.

The owners of each and every interest hereby insured waive all claim for allowance or contribution of any nature whatsoever by or through general average or based upon the principles of general average or any adjustment of such nature, the essence and chief object of this joint policy being to abolish the necessity and operation of general average or the principles thereof and to substitute therefor the simple and expeditious ascertainment of the amount of loss or damage to either interest insured and the prompt payment by the Assurers, each his own proportion, as signed hereon, regardless of the interest to which the loss or damage has happened.

It is agreed that the following clause is to be inserted on each B/L:

"Should the owner of cargo have placed any insurance separate, that is, independent of the above insurance, then the shipowner shall be entitled to the benefit of any such insurance on the goods and to any payments made by or on behalf of the Insurers thereof, whether in the guise of advances, loans or otherwise." *And that such clause in the B/L for the benefit of the shipowner shall revert to the benefit of these Insurers and that such collections made from such other underwriters by the shipowner shall be promptly paid over to the Assurers hereon.*

Loss, if any, payable in.....

In witness whereof the undersigned assurers have hereunto set their hands in.....this.....day of

It is to be expected that difficulties will be met in the substitution of a new system for one so long in vogue. A few have occurred to me and I mention them in order:

FIRST: Marine underwriters are often in the habit of insuring the hull of a vessel based on a value much less than her actual value. The reason for this is that the shipowner seeks to get his ship fully insured so far as partial losses are concerned, without paying a premium on the full valuation of his vessel. *The form of policy put forward will prevent the shipowner from insuring against all risks with one underwriter and insuring with another underwriter without the knowledge of the first, a further value on disbursements, profits, commissions, earnings, etc., as is now being done.* Such a move will appeal to underwriters as being good business. It certainly will appeal to the well-meaning shipowner as being thoroughly fair and straightforward, and when he knows that his neighbor is not getting any other advantage, he will have no objection whatever.

SECOND. Cargo owners very often place their insurances to cover their cargo from points in the interior long before they reach the ship, oftentimes for a period when in a warehouse in the interior, prior to shipment by rail, before reaching the ship. *Such insurance should be the subject of separate covers;* the form of policy herewith proposed only undertakes to cover the cargo *from the moment it is put in the shipowner's hands*, because it is only at that time that it really becomes more or less involved with the fortunes of the ship itself. There are many shippers of cargo who are in the habit of insuring very large profits, some who insure only a moderate profit, some who insure no profit at all and other shippers who do not insure at all. *It will be necessary for the shipowner to force all to insure practically alike.* The policy herewith provides for that. *Everything must be insured.* The cost of the insurance should become a part of the charge in the B/L. In other words, shipowners should name a rate of freight which includes the insurance, and if the shipper of cargo shall persist in insuring his cargo separately, that will be his own matter; but he will not be permitted to recover twice. The B/L will prevent the possibility of an outside underwriter who insured for a shipper demanding an adjustment of a general average.

The practice of the insurance all being placed as a single risk and premium paid by shipowner, will have a far-reaching effect in maritime commerce in general from the standpoint of the shipper. It enables him at a moment to calculate the advantages as between

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rail lines and water lines, as the shipowner by his broad policy of insurance, arranged with a large body of underwriters, is able to guarantee the fullest possible protection to cargo and to practically take cargo at one end of the voyage and deliver it in good condition at the other, or else pay the damage. It relieves the shipper of cargo of the burden of carefully inspecting and selecting his marine insurance from so many kinds of policies in vogue; he could, with the above arrangement, make sure that his insurance was the very best obtainable, and thereby reduce his risk to the minimum and not find himself with a loss which is not claimable from his underwriter.

THIRD. An objection will be raised that although one ship or one line of ships shall have introduced the system, that cargo may be delivered to this line from other vessels or other lines that do not have the system, or *vice versa*. I think, however, that this will simplify itself because the line adopting the new system will insure all the cargo, no matter whether coming from the shipper direct or whether coming from other lines, *from the moment it comes within its custody* until it is redelivered from its custody. Hence, a shipper who has occasion to employ two lines in the transportation of his cargo, one of which uses the new system and the other of which does not, will only be required to arrange for his insurance in the ordinary way on the line which does not adopt the new system, and it is safe to say that if no greater objections than I have foreseen come forward in the actual working of this new arrangement, that as lines adopt it and the advantages become apparent it will be only a short time until every important steamship company in the world will be using the same method.

THE
WORLD
INSURANCE

It will, I think, be apparent that the adoption of my system will have the following results:

Centralize the placing of insurances.

Reduce the commissions paid by the underwriters, or reduce the cost to the assured, or both.

Make a community of interest among the various underwriters, thereby producing unity of action and avoiding confusion.

Furnish such a report and record of shipment as will give the underwriters their premium on every item insured, which they do not now get owing to carelessness and other reasons.

Every vessel or line of vessels will be rated on their merit, according to results.

Losses that now take years to adjust will be settled in as many months or maybe weeks.

Underwriters will not require to carry reserves for old losses (guesswork) for years, but will be able to dispose of them immediately and divide the profits or know the loss.

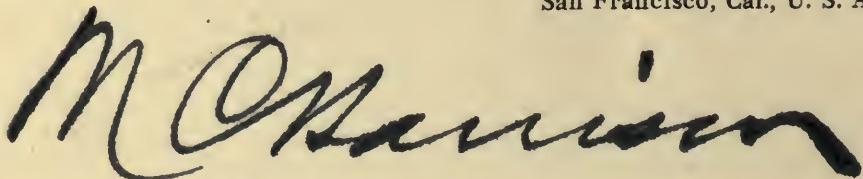
Shipowners will not have to run the risk of bankruptcy of guarantors during the years in which a general average is being adjusted.

Cargo owners will not have to run the risk of bankruptcy of their underwriters during the years in which an adjustment is in process.

Vast amounts of capital now customarily tied up for years, such as deposits, advances for disbursing general average expenses, allowances due to shippers and underwriters and other funds will be released for employment in productive channels.

For forms suitable for the inauguration of this plan of insurance, and for further particulars, address:

M. C. HARRISON,
318 Merchants Exchange,
San Francisco, Cal., U. S. A.



Gaylord Bros.
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Syracuse, N. Y.
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